

HumanaDental Insurance Company

(a wholly owned subsidiary of HumanaDental, Inc.,
a wholly owned subsidiary of Humana Inc.)

Financial Statements and Supplemental Schedules
Statutory Basis of Accounting
December 31, 2008 and 2007

HumanaDental Insurance Company
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Statutory Basis of Accounting
December 31, 2008 and 2007

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Report of Independent Auditors

To the Board of Directors of HumanaDental Insurance Company:

We have audited the accompanying statutory statements of admitted assets, liabilities and surplus of HumanaDental Insurance Company (the "Company") (a wholly owned subsidiary of HumanaDental, Inc.; a wholly owned subsidiary of Humana Inc.) as of December 31, 2008 and 2007, and the related statutory statements of operations and changes in surplus, and cash flows for the year then ended. These statutory financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statutory financial statements based on our audits.

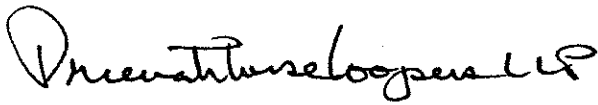
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statutory financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the statutory financial statements, the Company prepared these statutory financial statements using accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin, which practices differ from accounting principles generally accepted in the United States of America. The effects on the statutory financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2008 and 2007, or the results of its operations or its cash flows for the years then ended.

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2008 and 2007, and the statutory statements of operations and changes in surplus and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Our audits were conducted for the purpose of forming an opinion on the basic statutory basis financial statements taken as a whole. The accompanying Supplemental Summary Investment Schedule and Investment Risk Interrogatories of the Company as of December 31, 2008 and for the year then ended are presented for purposes of additional analysis and are not a required part of the basic statutory basis financial statements. The effects on the Supplemental Summary Investment Schedule and Investment Risk Interrogatories of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the Supplemental Summary Investment Schedule and Investment Risk Interrogatories do not present fairly, in conformity with accounting principles accepted in the United States of America, such information of the Company as of December 31, 2008 and for the year then ended. The Supplemental Summary Investment Schedule and Investment Risk Interrogatories have been subjected to the auditing procedures applied in the audit of the basic statutory basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic statutory basis financial statements taken as a whole.



May 29, 2009

HumanaDental Insurance Company
Statements of Admitted Assets, Liabilities and Surplus
Statutory Basis of Accounting
December 31, 2008 and 2007

ADMITTED ASSETS		2008	2007
Cash and invested assets:			
Bonds		\$ 73,443,745	\$ 77,171,885
Preferred stocks		349,160	725,000
Common stocks		2,655,502	-
Short-term investments		5,997,392	1,795,911
Total invested assets		82,445,799	79,692,796
Cash and cash equivalents		7,574,895	14,292,158
Total cash and invested assets		90,020,694	93,984,954
Investment income due and accrued		680,638	802,935
Premiums receivable		1,650,489	1,415,830
Deferred tax assets		734,165	146,087
Electronic data processing equipment, less accumulated depreciation of \$1,322,277 and \$1,357,096 respectively		107,377	114,887
Receivable from Humana Inc.		119,881	-
Health care and other receivables		595,787	146,166
Total admitted assets		<u>\$ 93,909,031</u>	<u>\$ 96,610,859</u>
LIABILITIES			
Benefits payable:			
Accident and health		\$ 15,656,544	\$ 13,173,185
Aggregate Reserves:			
Accident and health		225,099	166,799
Advance premiums		5,529,333	7,687,831
Accounts payable and accrued expenses		8,189,378	7,742,854
Interest maintenance reserve		449,922	138,596
Asset valuation reserve		69,043	210,390
Payable to Humana Inc.		-	1,861,092
Total liabilities		<u>30,119,319</u>	<u>30,980,747</u>
SURPLUS			
Common stock, \$25,000 par value; 300 shares authorized;			
104 shares issued and outstanding		2,600,000	2,600,000
Paid-in surplus		15,000,000	15,000,000
Unassigned surplus		46,189,712	48,030,112
Total surplus		<u>63,789,712</u>	<u>65,630,112</u>
Total liabilities and surplus		<u>\$ 93,909,031</u>	<u>\$ 96,610,859</u>

The accompanying notes are an integral part of the financial statements.

HumanaDental Insurance Company
Statements of Operations
Statutory Basis of Accounting
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Earned premiums	\$ 296,427,719	\$ 301,725,155
Expenses:		
Benefits incurred:		
Accident and health	198,822,132	205,946,583
Selling, general and administrative expenses	63,595,448	66,630,825
Change in aggregate reserves:		
Accident and health	<u>-</u>	<u>900</u>
Total expenses	<u>262,417,580</u>	<u>272,578,308</u>
Net underwriting gain	34,010,139	29,146,847
Investment income, net	3,960,341	3,957,026
Amortization of interest maintenance reserve	95,053	37,542
Other income, net	141,524	119,192
Realized capital losses on investments, net (net of capital gains tax benefit of (\$577,591) and (\$6,959) respectively, less amount transferred from (to) interest maintenance reserve of \$218,821 and (\$20,049), respectively)	<u>(1,072,669)</u>	<u>(12,924)</u>
Income before federal income tax expense	37,134,388	33,247,683
Federal income tax expense	<u>14,468,751</u>	<u>10,758,902</u>
Net income	<u>\$ 22,665,637</u>	<u>\$ 22,488,781</u>

The accompanying notes are an integral part of the financial statements.

HumanaDental Insurance Company
Statements of Changes in Surplus
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	<u>Common Stock</u>		<u>Paid-in</u>	<u>Unassigned</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Surplus</u>	<u>Surplus</u>	<u>Total</u>
Balances, January 1, 2007	104	\$ 2,600,000	\$ 15,000,000	\$ 46,299,790	\$ 63,899,790
Net income				22,488,781	22,488,781
Change in net deferred income taxes				(535,954)	(535,954)
Change in nonadmitted assets				(166,362)	(166,362)
Change in asset valuation reserve				(56,143)	(56,143)
Dividends paid				(20,000,000)	(20,000,000)
Balances, December 31, 2007	104	2,600,000	15,000,000	48,030,112	65,630,112
Net income				22,665,637	22,665,637
Change in net deferred income taxes				1,233,954	1,233,954
Change in nonadmitted assets				(881,338)	(881,338)
Change in asset valuation reserve				141,347	141,347
Dividends paid				(25,000,000)	(25,000,000)
Balances, December 31, 2008	<u>104</u>	<u>\$ 2,600,000</u>	<u>\$ 15,000,000</u>	<u>\$ 46,189,712</u>	<u>\$ 63,789,712</u>

The accompanying notes are an integral part of the financial statements.

HumanaDental Insurance Company
Statements of Cash Flows
Statutory Basis of Accounting
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash from operations:		
Premiums collected	\$ 294,019,746	\$ 307,524,013
Net investment income received	4,441,710	4,514,899
Net other income	141,524	119,192
Benefits paid	(196,280,474)	(207,695,853)
Selling, general and administrative expenses paid	(62,879,051)	(66,520,396)
Federal income taxes paid	(13,891,160)	(10,751,943)
Net cash from operations	<u>25,552,295</u>	<u>27,189,912</u>
Cash from investments:		
Proceeds from investments sold or matured	152,643,497	34,515,802
Cost of investments acquired	<u>(152,338,390)</u>	<u>(31,899,612)</u>
Net cash from investments	<u>305,107</u>	<u>2,616,190</u>
Cash from financing and miscellaneous activities:		
Dividends paid	(25,000,000)	(20,000,000)
Other cash (applied) provided	<u>(3,373,184)</u>	<u>2,256,445</u>
Net cash used for financing and miscellaneous activities	<u>(28,373,184)</u>	<u>(17,743,555)</u>
Net change in cash, cash equivalents and short-term investments	(2,515,782)	12,062,547
Cash, cash equivalents and short-term investments at beginning of year	<u>16,088,069</u>	<u>4,025,522</u>
Cash, cash equivalents and short-term investments at end of year	<u>\$ 13,572,287</u>	<u>\$ 16,088,069</u>

The accompanying notes are an integral part of the financial statements.

HumanaDental Insurance Company

Notes to Financial Statements

Statutory Basis of Accounting

December 31, 2008 and 2007

1. Reporting Entity

HumanaDental Insurance Company (the "Company"), a wholly owned subsidiary of HumanaDental, Inc., a wholly owned subsidiary of Humana Inc. ("Humana"), is a life, accident and health, and dental insurance company subject to regulation by the Office of the Commissioner of Insurance of the State of Wisconsin (the "OCI") and the insurance departments of the states in which it is licensed. The Company was purchased by Humana from Protective Life Insurance Company ("Protective"). All residual life insurance and annuity business is 100 percent ceded to Protective through a reinsurance agreement as discussed in Note 6. The Company is authorized to sell life, accident and health and prepaid dental products in 48 states and the District of Columbia. State regulations require the Company to maintain minimum amounts of surplus as discussed in Note 8 and limit the payment of dividends as described in Note 7.

The operating results of companies in the insurance industry have historically been subject to significant fluctuations due to competition, economic conditions, interest rates, investment performance, maintenance of insurance ratings, and other factors.

2. Summary of Significant Accounting Policies

The more significant accounting policies of the Company are as follows:

- a. **Basis of Presentation:** The statutory financial statements and accompanying notes are prepared in conformity with accounting practices prescribed or permitted by the OCI, which vary in some respects from accounting principles generally accepted in the United States of America ("GAAP"). The principal differences include:
- i. Certain assets designated as nonadmitted assets as described in Note 2(I) are excluded from the statements of admitted assets, liabilities and surplus by direct charges to unassigned surplus, whereas under GAAP such amounts would be reported as assets,
 - ii. Bonds and short-term investments are generally carried at amortized cost, whereas under GAAP such investments would be carried at fair value with related unrealized gains and losses, net of deferred taxes, being reported as a component of equity,
 - iii. Cash overdraft balances are recorded as a reduction to cash, whereas under GAAP overdraft balances would be classified as liabilities,
 - iv. An asset valuation reserve ("AVR") and an interest maintenance reserve are recorded; whereas under GAAP such reserves would not be recorded,
 - v. Deferred taxes are provided for the federal income tax consequences of temporary differences, whereas under GAAP such deferred taxes would be provided for both the federal and state income tax consequences of such temporary differences,
 - vi. The amount of admitted deferred tax assets is limited, whereas under GAAP deferred tax assets would be recorded to the extent they will more likely than not be realized,
 - vii. Cash collateral received under the securities lending program and the related liability for the return of the collateral are not presented in the accompanying statements of admitted assets, liabilities and surplus, whereas under GAAP such amounts would be presented,
 - viii. Comprehensive income disclosures required by GAAP are omitted, and
 - ix. The statements of cash flows are presented on a statutory basis which classifies transactions differently than GAAP.

The overall effect of these variances from GAAP, although not reasonably determinable, is presumed to be material.

HumanaDental Insurance Company

Notes to Financial Statements

Statutory Basis of Accounting

December 31, 2008 and 2007

The OCI adopted the National Association of Insurance Commissioners ("NAIC") *Accounting Practices and Procedures Manual - Effective January 1, 2001* ("Codification"). The OCI has adopted Codification as a component of its prescribed or permitted practices. The Commissioner of the OCI has the right to permit other specific practices that deviate from prescribed practices. No deviations from Codification currently exist.

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect (a) the reported amounts of assets and liabilities, (b) disclosure of contingent assets and liabilities at the date of the financial statements, and (c) reported amounts of revenues and expenditures during the reporting period. These estimates are based on knowledge of current events and anticipated future events, and accordingly, actual results may ultimately materially differ from those estimates.

- b. **Cash and Short-term Investments:** Short-term investments include investments mainly in money market mutual funds with a maturity of twelve months or less from the date of purchase. Short-term investments are recorded at amortized cost. The carrying value of short-term investments approximates fair value due to the short-term maturities of the investments.

The Company carries cash equivalents at cost, which approximates fair value. Cash equivalents are highly liquid financial instruments with an original maturity of three months or less.

Under the Company's cash management system, checks issued but not presented to banks frequently result in overdraft balances for accounting purposes, and, if applicable, are included in cash equivalents on the statements of admitted assets, liabilities and surplus.

- c. **Investments:** Investments are valued and classified in accordance with methods prescribed by the NAIC's Security Valuation Office ("SVO"). Bonds with an SVO rating of 1 through 5 are carried at amortized cost, with all other bonds being recorded at the lower of amortized cost or fair value; non-redeemable preferred stocks are carried at fair value and common stocks are carried at fair value.

The Company regularly evaluates the investment securities for impairment. The determination of whether the impairment is considered other-than-temporary is dependent upon whether a decline in the fair value of the investment is non-interest related or interest related. The Company considers non-interest related factors such as (a) the length of time and the extent to which fair value has been less than cost, (b) the financial condition and short-term prospects of the issuer, and (c) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. An interest-related impairment is deemed other-than-temporary when the Company has the intent to sell, at the date of the statutory financial statements, an investment before recovery of cost of the investment. The Company also considers whether its cash or surplus requirements and contractual or regulatory obligations dictate that the investment may need to be sold before forecasted recovery occurs. If and when a determination is made that a decline in fair value below the carrying value is other-than-temporary, a realized loss is recorded to the extent that the fair value of the investment is below its carrying value. The Company recognized an other-than-temporary impairment of approximately \$1.9 million in 2008 primarily due to non-interest related factors. There were no other-than-temporary impairments recognized during 2007.

Amortization of bond premium or discount is computed using the scientific interest method.

Income from investments is recorded on an accrual basis. For the purpose of determining realized gains and losses, the cost of securities sold is based upon specific identification. Investment income due and accrued over 90 days past due is nonadmitted. No portion of the investment income due and accrued was nonadmitted at December 31, 2008 or 2007.

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The AVR is determined using NAIC prescribed formulas and is reported as a liability rather than as a valuation allowance or appropriation of surplus. The AVR represents an allowance for potential credit-related investment losses on bonds, equity securities, mortgage loans, real estate and other invested assets.

Under a formula prescribed by the NAIC, the Company defers the portion of realized gains and losses on sales of fixed income investments, principally bonds, attributable to changes in the general level of interest rates and amortizes those deferrals over the remaining period to maturity of the individual security sold. This net deferral is reported as the interest maintenance reserve in the accompanying statements of admitted assets, liabilities and surplus.

The Company participates in a securities lending program to maximize investment income. The Company loans certain investment securities for short periods of time in exchange for collateral initially equal to at least 102 percent of the fair value of the investment securities on loan. The fair value of the loaned investment securities is monitored on a daily basis, with additional collateral obtained or refunded as the fair value of the loaned investment securities fluctuates. The collateral, which may be in the form of cash or U.S. Government securities, is deposited by the borrower with an independent lending agent. The Company does not recognize collateral received in the accompanying statements of admitted assets, liabilities, and surplus as required by Statement of Statutory Accounting Principles ("SSAP") No. 91, *Accounting for Transfers of Financial Assets and Extinguishment of Liabilities*.

- d. **Fair Value:** Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, ("SFAS No. 157") for all reporting based upon GAAP. This standard expands disclosures about fair value measurements and clarifies how to measure fair value by focusing on the price that would be received when selling an asset or paid to transfer a liability (exit price). Fair value is defined as the price at which an asset could be exchanged in an orderly transaction between market participants at the balance sheet date and is based upon quoted market prices when available. On a GAAP basis, the Company's financial assets carried at fair value have been classified based upon a hierarchy defined by SFAS No. 157. The three tiered hierarchy is defined as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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The Company carries cash, cash equivalents and short-term investments of approximately \$13.6 million at statutory fair value, as defined by SSAP No. 2, *Cash, Drafts, and Short-term Investments*, as of December 31, 2008. These assets are considered Level 1 based upon SFAS No. 157. Preferred stocks valued at statutory fair value of approximately \$0.3 million are Level 2 according to SFAS No. 157 and are valued on a statutory basis as required by SSAP No. 32, *Investments in Preferred Stock (including investments in common stock of subsidiary, controlled, or affiliated companies)*. Common stocks valued at statutory fair value of \$2.7 million are Level 2 according to SFAS No. 157 and are valued on a statutory basis as required by SSAP No. 30, *Investments in Common Stock (excluding investments in common stock of subsidiary, controlled, or affiliated companies)*. In accordance with SSAP No. 26, *Bonds, excluding Loan-backed and Structured Securities*, all other invested assets are carried at amortized cost.

- e. **Statutory Deposits:** Investments, generally U.S. Treasury obligations, with fair values of approximately \$6.6 million and \$6.1 million were on deposit at December 31, 2008 and 2007, respectively, to satisfy deposit requirements of regulatory agencies, which are included in bonds in the accompanying statements of admitted assets, liabilities and surplus. These assets are valued and classified in accordance with methods prescribed by the NAIC.
- f. **Equipment:** Equipment is stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over estimated useful lives generally ranging from three to five years. Depreciation expense, including that related to the nonadmitted portion, was approximately \$256,000 and \$233,000 for the years ended December 31, 2008 and 2007, respectively.

Improvements to leased facilities are depreciated over the shorter of the remaining lease term or the anticipated life of the improvement.

- g. **Income Taxes:** The amounts recorded for federal income tax expense or benefit on the statements of operations represent amounts due to or from Humana in accordance with the tax allocation agreement between the Company and Humana. The Company recognizes an asset or liability for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. The Company also recognizes the future tax benefits of net operating and capital loss carryforwards as deferred tax assets. Statutory deferred tax assets are limited to an amount equal to the sum of taxes paid in the preceding two years, the lesser of (a) the amount of gross deferred tax assets expected to be realized within one year or (b) 10% of surplus and the amount of gross deferred tax assets that can be offset against gross deferred tax liabilities. Deferred taxes in excess of these limitations are nonadmitted. At December 31, 2008, deferred tax assets of approximately \$646,000 were nonadmitted. At December 31, 2007, the Company had no nonadmitted deferred tax assets.
- h. **Earned Premiums:** Accident and health premiums are reported as earned in the period in which members are entitled to receive services, and are net of retroactive membership adjustments. Retroactive membership adjustments result from enrollment changes not yet processed, or not yet reported by an employer group or the government. Group life premiums are recognized ratably over the period of insurance coverage. Premiums received prior to the earned period are recorded as advance premiums.
- i. **Benefits Incurred:** Benefits incurred include claim payments, capitation payments, pharmacy costs net of rebates, allocations of certain centralized expenses, legal and administrative costs to settle claims and various other costs incurred to provide health insurance coverage to members, as well as estimates of future payments to hospitals, dentists, and others for medical and dental care provided prior to the date of the statements of admitted assets, liabilities and surplus. Capitation payments represent monthly contractual fees disbursed to participating primary care physicians, and other providers who are responsible for providing medical and dental care to members.

HumanaDental Insurance Company
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The estimates of future medical and dental benefit payments are developed using actuarial methods and assumptions based upon claim payment patterns, medical and dental cost inflation, historical developments such as claim inventory levels and claim receipt patterns, and other relevant factors. Corresponding administrative costs to process outstanding claims are estimated and accrued. Estimates of future payments relating to services incurred in the current and prior periods are continually reviewed by management and adjusted as necessary.

The Company assesses the profitability of its contracts for providing health insurance coverage and dental care services to its members when current operating results or forecasts indicate probable future losses. The Company records a premium deficiency liability in current operations to the extent that the sum of expected future medical costs, claim adjustment expenses and maintenance costs exceed related future premiums. Investment income is not contemplated in the calculation of the premium deficiency liability. At December 31, 2008 and 2007, there were no premium deficiency liabilities recorded.

Management believes the Company's benefits payable is adequate to cover future claims required, however, such estimates are based on knowledge of current events and anticipated future events, and therefore, the actual liability could differ from the amounts provided.

- j. **Administrative Service Only Contracts:** Self-funded contract activity represents administrative service only ("ASO") contracts under which the various employers retain substantially all health care service risks, while the Company assumes administrative risk. The Company provides claims payment, adjudication, reinsurance brokerage and utilization review services to its customers. The Company does not reflect payment of ASO claims in its statements of operations.
- k. **Reserves for Life Contracts and Deposit-Type Contracts:** The Company waives deduction of deferred fractional premiums upon death of the insured and holds net level premium reserves on mortality and interest bases that are consistent with the basic policies. The Company does not return any portion of the final premium for periods beyond the date of death. Surrender values are not promised in excess of the legally computed reserves.

As of December 31, 2008, the Company had no life insurance in force for which the gross premiums were less than the net premiums according to the standard valuation set by the OCI, as described in SSAP No. 51, *Life Contracts*.

Tabular interest, tabular less actual reserves released and tabular cost are determined by formula.

- l. **Nonadmitted Assets:** Nonadmitted assets, consisting of prepaid expenses, net deferred tax assets, software, furniture and equipment, and receivables past due in excess of 90 days are excluded from the statements of admitted assets, liabilities and surplus by direct charges to unassigned surplus, in accordance with statutory accounting requirements.
- m. **Reclassification:** Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. These reclassifications have no impact on the Company's reported surplus, earned premiums, net underwriting gain, or net income.

HumanaDental Insurance Company
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- n. **Recently Issued Accounting Pronouncements:** The NAIC recently adopted SSAP No. 98, *Treatment of Cash Flows When Quantifying Changes in Valuation and Impairments, an Amendment of SSAP No. 43 – Loan-Backed and Structured Securities*, with an effective date of January 1, 2009. In addition, the NAIC adopted SSAP No. 99, *Accounting for Certain Securities Subsequent to an Other-Than-Temporary Impairment*, with an effective date of January 1, 2009. The NAIC adopted SSAP No. 91R, *Accounting for Transfers and Security of Financial Assets and Extinguishments of Liabilities*, with an effective date of January 1, 2009. These pronouncements had no material impact on the Company's statutory statements of admitted assets, liabilities and surplus, or on the related statutory statements of operations, changes in surplus, and cash flows when adopted in 2009.

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3. Bonds

The book/adjusted carrying value and estimated fair value, as determined by the SVO, of bonds at December 31, 2008 and 2007 were as follows:

	2008			
	Book/ Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U. S. Governments	\$ 25,309,360	\$ 729,913	-	\$ 26,039,273
States, territories and possessions	5,224,127	52,909	\$ (286,105)	4,990,931
Political subdivisions of states, territories and possessions	1,179,761	27,906	(16,222)	1,191,445
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	25,766,659	624,833	(189,945)	26,201,547
Public utilities	105,855	-	(10,172)	95,683
Industrial and miscellaneous	15,857,983	123,334	(1,594,428)	14,386,889
Total bonds	\$ 73,443,745	\$ 1,558,895	\$(2,096,872)	\$ 72,905,768

	2007			
	Book/ Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U. S. Governments	\$ 9,561,100	\$ 99,684	\$ (2,081)	\$ 9,658,703
States, territories and possessions	18,405,618	80,721	(84,503)	18,401,836
Political subdivisions of states, territories and possessions	1,556,344	20,538	-	1,576,882
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	33,892,988	203,202	(59,996)	34,036,194
Public utilities	106,071	2,025	(658)	107,438
Industrial and miscellaneous	13,649,764	292,684	(91,184)	13,851,264
Total bonds	\$ 77,171,885	\$ 698,854	\$ (238,422)	\$ 77,632,317

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The book/adjusted carrying value and estimated fair value of bonds at December 31, 2008, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Book/Adjusted Carrying Value</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ 1,649,563	\$ 1,677,684
Due after one year through five years	20,025,958	20,185,874
Due after five years through ten years	10,522,315	9,778,277
Due after ten years	41,245,909	41,263,934
Total	\$ 73,443,745	\$ 72,905,769

Gross realized gains on sales of bonds were approximately \$1.0 million and \$29,000 for the years ended December 31, 2008 and 2007, respectively. Gross realized losses on sales of bonds were approximately \$381,000 and \$87,000 for the years ended December 31, 2008 and 2007, respectively. The Company recognized an other-than-temporary impairment of approximately \$1.9 million in 2008 primarily due to non-interest related factors. There were no other-than-temporary impairments recognized in 2007.

Gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2008 and 2007 were as follows:

	2008					
	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
States, territories and possessions	\$ 433,781	\$ (48,910)	\$ 2,456,994	\$ (237,194)	\$ 2,890,775	\$ (286,104)
Political subdivisions of states, Territories, and possessions	406,178	(16,222)	-	-	406,178	(16,222)
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	1,590,015	(94,500)	1,124,963	(95,444)	2,714,978	(189,944)
Public utilities	73,661	(7,232)	22,022	(2,940)	95,683	(10,172)
Industrial and miscellaneous	9,742,612	(1,272,800)	1,054,958	(321,628)	10,797,570	1,594,428
Total bonds	\$ 12,246,247	\$ (1,439,664)	\$ 4,658,937	\$ (657,206)	\$ 16,905,184	\$ (2,096,870)

HumanaDental Insurance Company
Notes to Financial Statements
Statutory Basis of Accounting
December 31, 2008 and 2007

	2007					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Governments	-	-	\$ 3,498,635	\$ (2,081)	\$ 3,498,635	\$ (2,081)
States, territories and possessions	\$ 3,021,298	\$ (59,035)	4,579,923	(25,468)	7,601,221	(84,503)
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	2,522,400	(22,920)	6,971,900	(37,076)	9,494,300	(59,996)
Public utilities	24,300	(658)	-	-	24,300	(658)
Industrial and miscellaneous	1,963,098	(53,159)	825,733	(38,025)	2,788,831	(91,184)
Total bonds	7,531,096	(135,772)	15,876,191	(102,650)	23,407,287	(238,422)
Non-redeemable preferred stock	-	-	581,740	(143,260)	581,740	(143,260)
Total invested assets	\$ 7,531,096	\$ (135,772)	\$ 16,457,931	\$ (245,910)	\$ 23,989,027	\$ (381,682)

The unrealized losses at December 31, 2008 were primarily due to increases in interest rates from a widening of credit spreads. All issuers of securities trading at an unrealized loss remain current on all contractual payments and the Company believed is probable all amounts due according to the contractual terms of the debt securities are collectible. After taking into account these and other factors, including the severity of the decline and the Company's ability and intent to hold these securities until recovery or maturity, the Company determined the unrealized losses on these investment securities were temporary.

The Company participates in a securities lending program in which the Company loans certain investment securities for short periods of time in exchange for collateral, consisting of cash or U.S. Government securities, initially equal to at least 102% of the fair value of the investment securities on loan. Investments with a fair value of approximately \$6.0 million and \$20.2 million were loaned out at December 31, 2008 and 2007, respectively. No collateral was invested in securities with an expiration date of greater than one year at December 31, 2008. As of December 31, 2008, the fair value of securities purchased using cash collateral was approximately \$127,000 less than the amount of collateral to be refunded to counterparties. Of this amount, approximately \$23,000 was realized as an other-than-temporary impairment during 2008 and was included in accounts payable and accrued expenses on the accompanying statements of admitted assets, liabilities and surplus. As of December 31, 2007, the fair value of securities purchased using cash collateral was equal to at least the amount of collateral to be refunded to counterparties.

HumanaDental Insurance Company
Notes to Financial Statements
Statutory Basis of Accounting
December 31, 2008 and 2007

4. Income Taxes

The principal components of net admitted deferred tax assets in the Company's statements of admitted assets, liabilities and surplus at December 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Advanced premium	\$ 379,084	\$ 538,148
Deferred acquisition cost	367,528	-
Non-admitted assets	316,959	235,284
Vacation pay	262,660	282,428
Other-than-temporary impairment	216,325	-
Depreciation	38,893	58,422
Other	82,704	5,859
Total deferred tax assets	<u>1,664,153</u>	<u>1,120,141</u>
Nonadmitted deferred tax assets	<u>645,876</u>	<u>-</u>
Admitted deferred tax assets	<u>1,018,277</u>	<u>1,120,141</u>
Deferred tax liabilities:		
Benefits payable	(218,371)	(910,820)
Loss adjustment expense	(8,440)	(36,066)
Other	(57,301)	(27,168)
Total deferred tax liabilities	<u>(284,112)</u>	<u>(974,054)</u>
Net admitted deferred tax assets	<u>\$ 734,165</u>	<u>\$ 146,087</u>

The change in nonadmitted deferred tax assets from December 31, 2007 to December 31, 2008 was an increase of approximately \$646,000. The change in nonadmitted deferred tax assets from December 31, 2006 to December 31, 2007 was a decrease of approximately \$3,500.

The significant components of income taxes incurred for the years ended December 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Current year expense	\$ 14,621,144	\$ 10,811,677
Revision in prior years' estimated taxes	<u>(152,393)</u>	<u>(52,775)</u>
Federal income tax expense excluding the benefit from realized capital losses and before the change in net deferred tax assets	14,468,751	10,758,902
Benefit from realized capital losses	(577,591)	(6,959)
Change in net deferred tax assets	<u>(1,233,954)</u>	<u>535,954</u>
Total statutory income taxes	<u>\$ 12,657,206</u>	<u>\$ 11,287,897</u>

Income before income taxes differs from taxable income due principally to differences in the statutory and tax treatment of benefits payable discounting, tax-exempt investment income, interest maintenance reserve amortization, loss adjustment expenses, advance premiums and revisions of prior years' estimated taxes.

HumanaDental Insurance Company
Notes to Financial Statements
Statutory Basis of Accounting
December 31, 2008 and 2007

The Company is included in the consolidated federal income tax return of Humana and its wholly owned subsidiaries. Under a written agreement, Humana allocates the federal income tax liability among the members of the consolidated return group (including the Company) based on the ratio that each member's separate return tax liability for the year bears to the sum of the separate return liabilities of all members. Benefits for net operating losses are recognized currently. The final settlement under this agreement is made after the annual filing of the consolidated income tax return. The Company has no operating loss carryforwards at December 31, 2008 or 2007.

The amount of federal income taxes incurred in 2008 and 2007 available for recoupment in the event of future net losses were approximately \$13.9 million and \$10.8 million, respectively.

Humana adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, ("FIN 48") on January 1, 2007. As part of the consolidated income tax return of Humana, the Company has accrued no tax contingencies during 2008 or 2007. As of December 31, 2008, there were no positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within 12 months of the reporting date. The Company files tax returns in U.S. federal jurisdiction and several state jurisdictions. As of December 31, 2008, the tax years that are subject to examination begin in 2005.

5. Benefits Payable

Activity in benefits payable for the years ended December 31, 2008 and 2007 is summarized as follows:

	<u>2008</u>	<u>2007</u>
Balance at January 1,	\$13,173,185	\$14,937,658
Benefits incurred related to:		
Current year	199,706,002	205,501,049
Prior year	(942,169)	430,331
	<u>198,763,832</u>	<u>205,931,380</u>
Benefits paid related to:		
Current year	184,635,817	192,536,213
Prior year	11,644,657	15,159,640
	<u>196,280,474</u>	<u>207,695,853</u>
Balance at December 31,	<u>\$15,656,544</u>	<u>\$13,173,185</u>

Benefits and loss adjustment expenses payable at December 31, 2007 ultimately settled during 2008 for approximately \$942,000 less than the amounts originally estimated as a result of favorable development of unpaid claims and claims adjustment expenses principally on dental and commercial operations. This favorable development was generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. The Company has no retrospectively rated policies.

6. Reinsurance

The Company cedes all of its life insurance policies in force to Protective under a 100 percent reinsurance agreement. As a result, all presented financial statements are reported net of all premiums and claims activity attributable to this residual business. Benefits and loss adjustment expenses payable ceded under this contract approximated \$204 million and \$210 million at December 31, 2008 and 2007, respectively.

HumanaDental Insurance Company
Notes to Financial Statements
Statutory Basis of Accounting
December 31, 2008 and 2007

7. Share Owner Dividend Restrictions

Dividends are noncumulative and are paid as determined by the Board of Directors. Dividends are subject to the approval of the OCI if such dividend distribution which, together with other dividends or distributions made within the preceding twelve months, exceeds the lesser of (a) ten percent of the Company's policyholders surplus as of December 31 of the prior year, or (b) the net income for the twelve month period ending December 31 of the prior year. The Company requested and received approval from the OCI to pay dividends of \$25.0 million and \$20.0 million during 2008 and 2007, respectively. Of the dividends paid in 2008 and 2007, approximately \$18.6 million and \$13.4 million, respectively, were extraordinary.

8. Risk Based Capital Requirements

The Company is required to report an assessment of its solvency based upon the NAIC's Managed Care Organizations Risk Based Capital ("RBC") Analysis formulas. This RBC requirement, referred to as Authorized Control Level, is the minimum level of capital deemed necessary for a health insurer based on the assets held and business written. The State of Wisconsin has passed legislation to adopt RBC.

The Company's Total Adjusted Capital must be equal to or above its Authorized Control Level RBC of \$7.8 million or the Company, under the discretion of the Commissioner of the OCI, could be placed under regulatory control. The Company reported capital and surplus of approximately \$63.8 million and \$65.6 million as of December 31, 2008 and 2007, respectively.

9. Related Party Transactions

The Company has a written management contract with Humana and other related parties whereby the Company is provided with medical and executive management, information systems, claims processing, billing and enrollment, and telemarketing and other services as required by the Company. Management fees charged to operations for the years ended December 31, 2008 and 2007 were approximately \$7.7 million and \$8.4 million, respectively, which are included in benefits incurred and loss adjustment expenses and selling, general and administrative expenses in the accompanying statements of operations. These fees are allocated to benefits incurred and loss adjustment expenses and selling, general and administrative expenses based on the nature of the services provided.

As a part of this agreement, Humana makes cash disbursements on behalf of the Company which include, but are not limited to, general and administrative expenses and payroll. Humana is reimbursed by the Company weekly, based upon a historical pattern of amounts and timing. Each month, these estimates are adjusted to ultimately settle upon actual disbursements made on behalf of the Company, and any residual intercompany receivables or payables are immediately settled in the following month. The Company continues to be primarily liable for any outstanding payments made on behalf of the Company should Humana not be able to fulfill its obligations. At December 31, 2008, Humana owed the Company approximately \$0.1 million, which was received by the Company subsequent to year end. At December 31, 2007, the Company owed Humana approximately \$1.9 million, which was paid to Humana subsequent to year end.

A wholly owned insurance subsidiary of Humana insures certain professional liability risks for the Company. Premiums for such coverage charged to operations for the years ended December 31, 2008 and 2007 were approximately \$126,000 and \$500,000, respectively, which are included in selling, general and administrative expenses in the accompanying statements of operations.

HumanaDental Insurance Company
Notes to Financial Statements
Statutory Basis of Accounting
December 31, 2008 and 2007

10. Employee Benefit Plans

The Company's employees are eligible to participate in the Humana Retirement and Savings Plan (the "Plan"), a defined contribution plan, sponsored by Humana. The Plan maintains two accounts, the Savings Account and the Retirement Account. Humana's total contributions paid to the Savings Account and Retirement Account of the Plan were approximately \$78.0 million and \$61.6 million for 2008 and 2007, respectively. Of these contributions, the Company contributed approximately \$1.7 million and \$1.5 million for 2008 and 2007, respectively.

11. Lease Commitments

The Company has entered into operating leases for medical and administrative office space and equipment with lease terms ranging from one to seven years. Operating lease rental payments charged to expense for the years ended December 31, 2008 and 2007 were approximated \$2.5 million and \$2.1 million, respectively. Future minimum rental payments required under operating leases as of December 31, 2008, which have initial or remaining noncancelable lease terms in excess of one year, were as follows:

Year ending December 31,	
2009	\$ 3,205,891
2010	2,240,697
2011	1,229,019
2012	922,981
2013	421,665
Thereafter	129,459
Total minimum lease payments	<u>\$ 8,149,712</u>

12. Contingencies and Concentrations of Risk

a. Legal Proceedings: During the ordinary course of business, the Company is subject to pending and threatened legal actions. Management of the Company does not believe any of these actions will have a material adverse effect on the Company's statutory statements of admitted assets, liabilities and surplus, or on the related statutory statements of operations, changes in surplus, and cash flows. The outcome of current suits or likelihood or outcome of future suits or governmental investigations cannot be accurately predicted with certainty. Although it is not reasonably possible to estimate whether a loss will occur as a result of these legal matters, or if a loss should occur, the amount of such loss, the Company does not believe any legal matters to which it is a party are likely to have a material adverse effect on the Company's statutory statements of admitted assets, liabilities and surplus, or on the related statutory statements of operations, changes in surplus, and cash flows. However, there can be no assurance that any pending legal matters or any legal matters that may arise in the future would not have a material adverse effect on the Company's statutory statements of admitted assets, liabilities and surplus, or on the related statutory statements of operations, changes in surplus, and cash flows.

b. Economic Risks: The current recession and overall state of the U.S. economy could adversely affect the Company's employer group and individual business, including renewal prospects and the Company's ability to collect or increase premiums. The state of the U.S. economy could also adversely affect the budgets of individual states and of the federal government. This could result in attempts to reduce payments in the Company's federal and state government health care coverage programs and could result in an increase in taxes and assessments on the Company's activities. Although the Company could attempt to mitigate or cover the Company's exposure from such increased costs through, among other approaches, increases in premiums, there can be no assurance that the Company will be able to mitigate or cover all of such costs which could have a material adverse effect on the Company's statutory statements of admitted assets, liabilities and surplus, or on the related statutory statements of operations, changes in surplus, and cash flows.

HumanaDental Insurance Company
Notes to Financial Statements
Statutory Basis of Accounting
December 31, 2008 and 2007

c. Securities & Credit Markets Risks: The volatility and disruption in the securities and credit markets has impacted the Company's investment portfolio. The Company evaluates investment securities for impairment on a quarterly basis. This review is subjective and requires a high degree of judgment. For the purpose of determining gross realized gains and losses, the cost of investment securities is based upon specific identification. In analyzing individual securities for other-than-temporary impairments, the Company considers factors affecting the issuer, factors affecting the industry within which the issuer operates, and general debt and equity market trends. Given current market conditions, there is a continuing risk that further declines in fair value may occur and additional material realized losses from sales or other-than-temporary impairments may be recorded in future periods.

13. Stock Option Plan

Humana has plans under which restricted stock awards and options to purchase Humana common stock have been granted to officers, directors and key employees of the Company. These plans are considered non-compensatory based on the provisions of SSAP No. 13, *Stock Options and Stock Purchase Plans*, and consequently no compensation expense has been recognized related to these plans. Exercise provisions vary, but most options vest in whole or in part one to five years after grant and expire ten years after grant.

The Company's officers, directors and employees held approximately 3,000 and 3,800 options at December 31, 2008 and 2007, respectively, with an average exercise price of \$32.70 per share for both years. Options outstanding at December 31, 2008 expire in 2016. The Company's officers, directors and employees held approximately 31,000 and 28,000 shares of restricted stock at December 31, 2008 and 2007, respectively.

14. Participating Policies

For the reporting year ended 2008, premiums under individual and group life participating policies were approximately \$66,000 or 0.95 percent of total individual and group life premiums earned. The Company accrues dividends when declared by the Board of Directors. The Company paid dividends in the amount of approximately \$150,000 to policyholders, and did not allocate any additional income to policyholders. The Company does not have any participating accident and health policies.

15. Uninsured Plans

Information for the year ended December 31, 2008 regarding the profitability of ASO plans and the uninsured portion of partially uninsured plans for which the Company provides administrative services follows:

	Dental ASO Uninsured Plans	Uninsured Portion of Partially Uninsured Plans	Total
Net actual costs in excess of reimbursement for administrative expenses (including administrative fees)	\$ (6,544,226)	—	\$ (6,544,226)
Total net other income (including interest paid to or received from plans)	5,663,010	—	5,663,010
Net loss from operations	(881,216)	—	(881,216)
Total claim payment volume	\$ 157,795,183	—	\$ 157,795,183

HumanaDental Insurance Company
Notes to Financial Statements
Statutory Basis of Accounting
December 31, 2008 and 2007

16. Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

The amount of annuity actuarial reserves and deposit-type contract funds and other liabilities without life or disability contingencies by withdrawal characteristics for the year ended December 31, 2008, are as follows:

Subject to discretionary withdrawal	
at book value without adjustment	
(minimal or no charge or adjustment)	\$ 101,378,400
Not subject to discretionary withdrawal	<u>8,596,157</u>
Total (gross)	109,974,557
Reinsurance ceded	<u>109,974,557</u>
Total (net)	<u>\$ -</u>

Supplemental Information

HumanaDental Insurance Company
Schedule of Assets and Liabilities
Statutory Basis of Accounting
December 31, 2008

Investment income earned:	
U.S. Government bonds	\$ 767,518
Bonds except from U.S. tax	826,397
Other bonds (unaffiliated)	1,886,662
Bonds of affiliates	—
Preferred stocks (unaffiliated)	31,742
Preferred stocks of affiliates	—
Common stocks (unaffiliated)	52,282
Common stocks of affiliates	—
Mortgage loans	—
Real estate	—
Premium notes, policy loans and liens	—
Collateral loans	—
Cash on hand and on deposit	297,338
Short-term investments	—
Other invested assets	—
Derivative investments	—
Aggregate write-ins for investment income	130,928
	<hr/>
Gross investment income	\$ 3,992,867
	<hr/>
Real estate owned - book value less encumbrances	—
	<hr/>
Mortgage loans - book value:	
Farm mortgages	—
Residential mortgages	—
Commercial mortgages	—
	<hr/>
Total mortgage loans	—
	<hr/>
Mortgage loans by standing – book value:	
Good standing	—
Good standing with restructured terms	—
Interest overdue more than three months, not in foreclosure	—
Foreclosure in process	—
	<hr/>
	<hr/>
Other long-term assets - statement value	—
	<hr/>
Collateral loans	—
	<hr/>

HumanaDental Insurance Company
Schedule of Assets and Liabilities
Statutory Basis of Accounting
December 31, 2008

Bonds and stocks of parent, subsidiaries and affiliates -

Book value:

Bonds

Preferred stocks

Common stocks

—
—
—
<hr/>
—
<hr/>

Bonds and short-term investments by class and maturity:

Bonds by maturity - statement value:

Due in one year or less

Over 1 year through 5 years

Over 5 years through 10 years

Over 10 years through 20 years

Over 20 years

\$	16,646,940
	21,646,025
	11,708,598
	4,348,513
	<hr/> 34,091,046

Total by maturity

\$	<hr/> 88,441,122
----	------------------

Bonds by class - statement value:

Class 1

Class 2

Class 3

Class 4

Class 5

Class 6

\$	82,536,229
	3,830,203
	1,757,926
	301,689
	7,350
	<hr/> 7,725

Total by class

\$	<hr/> 88,441,122
----	------------------

Total bonds publicly traded

\$	<hr/> 88,441,122
----	------------------

Total bonds privately placed

<hr/> —

Preferred stocks - statement value

<hr/> —

Common stocks - market value

<hr/> —

Short-term investments - book value

\$	<hr/> 5,997,392
----	-----------------

Financial options owned - statement value

<hr/> —

Financial futures contracts open - current price

<hr/> —

Cash on deposit

\$	<hr/> (1,425,090)
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HumanaDental Insurance Company
Schedule of Assets and Liabilities
Statutory Basis of Accounting
December 31, 2008

Life insurance in force:	
Industrial	<u>—</u>
Ordinary	<u>\$ 760,241,000</u>
Credit life	<u>—</u>
Group life	<u>—</u>
Amount of accidental death insurance in force under Ordinary policies	<u>—</u>
Life insurance policies with disability provisions in force:	
Industrial	<u>—</u>
Ordinary	<u>—</u>
Credit life	<u>—</u>
Group life	<u>—</u>
Supplementary contracts in force:	
Ordinary - not involving life contingencies:	
Amount on deposit	<u>—</u>
Income payable	<u>—</u>
Ordinary - involving life contingencies:	
Income payable	<u>—</u>
Group – not involving life contingencies:	
Amount on deposit	<u>—</u>
Income payable	<u>—</u>
Group – involving life contingencies:	
Income payable	<u>—</u>
Annuities:	
Ordinary:	
Immediate - amount of income payable	<u>—</u>
Deferred - fully paid account balance	<u>—</u>
Deferred - not fully paid account balance	<u>—</u>

HumanaDental Insurance Company
Schedule of Assets and Liabilities
Statutory Basis of Accounting
December 31, 2008

Annuities, continued:

Group:

Amount of income payable	—
--------------------------	---

Fully paid account balance	—
----------------------------	---

Not fully paid account balance	—
--------------------------------	---

Accident and health insurance - premiums in force:

Ordinary	\$ 15,490,909
----------	---------------

Group	\$ 280,983,073
-------	----------------

Credit life	—
-------------	---

Deposit funds and dividend accumulations:

Deposit funds - account balance	—
---------------------------------	---

Dividend accumulations - account balance	—
--	---

Claim payments 2008

Group accident and health - year ended December 31, 2008
related to:

2008	\$ 177,612,133
------	----------------

2007	11,286,904
------	------------

2006	187,579
------	---------

Other accident and health - year ended December 31, 2008
related to:

2008	\$ 7,081,985
------	--------------

2007	\$ 167,000
------	------------

2006	\$ —
------	------

Other coverages that use developmental methods to
calculate claims reserves:

2008	—
------	---

2007	—
------	---

2006	—
------	---

HumanaDental Insurance Company

Investment Risk Interrogatories

Statutory Basis of Accounting

Year Ended December 31, 2008

OF The HumanaDental Insurance Company _____
 Address (City, State and Zip Code) DePere, WI 54115 _____
 NAIC Group Code 0119 _____ NAIC Company Code 70580 _____ Employer's ID Number 39-0714280 _____

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. _____ \$ 93,908,031
2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	FANNIE MAE	BONDS	\$ 16,677,613	17.8 %
2.02	RESERVE US GOVERNMENT FUND	EQUITY	\$ 2,655,502	2.8 %
2.03	GOLDMAN SACHS GROUP INC	BONDS	\$ 2,093,159	2.2 %
2.04	NEW JERSEY ST TPK AUTH TPK REV	BONDS	\$ 1,727,037	1.8 %
2.05	SAN FRANCISCO CALIF CITY &	BONDS	\$ 1,605,545	1.7 %
2.06	VERIZON WIRELESS CAPITAL	BONDS	\$ 1,239,854	1.3 %
2.07	REGIONAL TRANSN DIST COLO SALE	BONDS	\$ 1,112,076	1.2 %
2.08	GENERAL ELEC CAP CORP	BONDS	\$ 1,097,145	1.2 %
2.09	VIRGINIA ST PUB BLDG AUTH PUB	BONDS	\$ 1,077,026	1.1 %
2.10	SALOMON BROTHERS MORTGAGE SECU	BONDS	\$ 1,053,059	1.1 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	\$ 82,536,228	87.9 %	3.07	P/RP-1	\$ 349,160	0.4 %
3.02	NAIC-2	\$ 3,830,204	4.1 %	3.08	P/RP-2		%
3.03	NAIC-3	\$ 1,757,926	1.9 %	3.09	P/RP-3		%
3.04	NAIC-4	\$ 301,689	0.3 %	3.10	P/RP-4		%
3.05	NAIC-5	\$ 7,350	0.0 %	3.11	P/RP-5		%
3.06	NAIC-6	\$ 7,725	0.0 %	3.12	P/RP-6		%

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?	Yes [X] No []
4.02	Total admitted assets held in foreign investments	\$ 1,675,595 1.8 %
4.03	Foreign-currency-denominated investments	\$ %
4.04	Insurance liabilities denominated in that same foreign currency	\$ %

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

HumanaDental Insurance Company
Investment Risk Interrogatories
Statutory Basis of Accounting
Year Ended December 31, 2008

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:
 6. Largest foreign investment exposures by country, categorized by NAIC sovereign rating:

7. Aggregate unhedged foreign currency exposure..... \$ 1 2 %

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:
 9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes ☒ No ☐
 If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes ☒ No ☐
 If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets Yes ☒ No ☐
 If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes ☒ No ☐
 If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes ☒ No ☐
 If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes ☒ No ☐
 If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

HumanaDental Insurance Company

Investment Risk Interrogatories

Statutory Basis of Accounting

Year Ended December 31, 2008

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? _____ Yes ☒ No ☐
If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? _____ Yes ☒ No ☐
If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-end			1st Quarter	At End of Each Quarter	3rd Quarter
	1	2		3	2nd Quarter	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ 6,016,559	6.4 %	\$ 21,567,814	\$ 11,374,985	\$ 6,152,412	
20.02 Repurchase agreements	\$	%	\$	\$	\$	
20.03 Reverse repurchase agreements	\$	%	\$	\$	\$	
20.04 Dollar repurchase agreements	\$	%	\$	\$	\$	
20.05 Dollar reverse repurchase agreements	\$	%	\$	\$	\$	

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned			Written		
	1	2		3	4	
21.01 Hedging	\$	%	\$	\$	%	
21.02 Income generation	\$	%	\$	\$	%	
21.03 Other	\$	%	\$	\$	%	

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-end			1st Quarter	At End of Each Quarter	3rd Quarter
	1	2		3	2nd Quarter	5
22.01 Hedging	\$	%	\$	\$	\$	
22.02 Income generation	\$	%	\$	\$	\$	
22.03 Replications	\$	%	\$	\$	\$	
22.04 Other	\$	%	\$	\$	\$	

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-end			1st Qtr	At End of Each Quarter	3rd Qtr
	1	2		3	2nd Qtr	5
23.01 Hedging	\$	%	\$	\$	\$	
23.02 Income generation	\$	%	\$	\$	\$	
23.03 Replications	\$	%	\$	\$	\$	
23.04 Other	\$	%	\$	\$	\$	

HumanaDental Insurance Company
Summary Investment Schedule
Statutory Basis of Accounting
December 31, 2008

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	6,246,117	6.939	6,246,117	6.939
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies	4,143,535	4.603	4,143,535	4.603
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	5,224,127	5.803	5,224,127	5.803
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	1,179,761	1.311	1,179,761	1.311
1.43 Revenue and assessment obligations	8,814,071	9.791	8,814,071	9.791
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	14,919,707	16.574	14,919,707	16.574
1.512 Issued or guaranteed by FNMA and FHLMC	16,952,588	18.832	16,952,588	18.832
1.513 All other	3,061,714	3.423	3,061,714	3.423
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	12,882,124	14.310	12,882,124	14.310
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated	349,160	0.388	349,160	0.388
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated	2,655,502	2.950	2,655,502	2.950
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by the company				
5.2 Property held for the production of income (including \$ _____ of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ _____ property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	13,572,288	15.077	13,572,288	15.077
9. Other invested assets				
10. Total invested assets	90,020,694	100.000	90,020,694	100.000